

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF MARYLAND  
(GREENBELT DIVISION)

ENTERED

OCT 24 2002

U.S. BANKRUPTCY COURT  
DISTRICT OF MARYLAND  
GREENBELT

In re:

Mattress Discounters Corporation and  
T.J.B., Inc.,

Debtors.

Chapter 11

Case No.

02-22330 DK

(Pending Joint Administration)

**ORDER (A) CONFIRMING GRANT OF ADMINISTRATIVE STATUS  
TO OBLIGATIONS ARISING FROM POSTPETITION DELIVERY OF  
GOODS AND (B) ESTABLISHING PROCEDURES FOR THE TREATMENT  
OF RECLAMATION CLAIMS**

This matter coming before the Court on the Emergency Motion of Debtors for an Order (A) Confirming Grant of Administrative Status to Obligations Arising From PostPetition Delivery of Goods and (B) Establishing Procedures For the Treatment of Reclamation Claims (the "Motion")<sup>1</sup> and the Affidavit of Stephen Newton filed by the above-captioned the debtors and the debtors-in-possession (the "Debtors"); this Court having considered the Motion and being fully advised; it appearing that appropriate notice and opportunity for a hearing on the Motion was given and that no further notice need be given; it appearing that the relief requested in the Motion is appropriate in the context of these cases and necessary to ensure that the Debtors' business will be preserved; it appearing that the relief requested in the Motion is in the best interests of the Debtors and their respective estates, creditors, stockholders and other parties in interest; and good cause appearing therefore;

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Motion is granted.

<sup>1</sup> Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Motion.

2. The Vendors shall have administrative expense claims with priority under Section 503(b) of the Bankruptcy Code for those undisputed obligations arising from Outstanding Orders relating to shipments of inventory, equipment, supplies, materials, products and related items, including, without limitation, mattresses, foundations, other bedding accessories, materials used for the production of mattresses, including headboards, footboards, stitching, fabric, foam, springs, wood frames, etc., and other items used in the Debtors' business operations (the "Goods") received and accepted by the Debtors after the Petition Date.

3. The Debtors are authorized to pay their undisputed obligations arising from the postpetition shipment or delivery of Goods by the Vendors and acceptance thereof by the Debtors, pursuant to their customary practice in the ordinary course prior to the commencement of these Chapter 11 cases, and Debtors are authorized to pay for goods in transit on or after the Petition Date.

4. The Debtors are authorized and directed to employ the following procedures for the processing and treatment of all timely reclamation claims:

a. The Debtors will file a report (the "Reclamation Report"), on notice to the United States Trustee, counsel to the Debtors' prepetition bank group, counsel to any statutory committee, counsel to the indenture trustee for the Debtors' 12 5/8% senior notes, and the parties making reclamation claims (the "Interested Parties"), listing those reclamation claims (or portions thereof), if any, that the Debtors deem to be valid and making a comprehensive proposal for treatment of valid reclamation claims;

b. Absent further order of the Court, the Reclamation Report will be filed by the Debtors within sixty (60) days after the day an order granting this motion is final;

c. If the Debtors fail to file the Reclamation Report within the required period of time, any holder of a reclamation claim may file a motion seeking reclamation of goods or may commence an adversary proceeding on its own behalf, but may not file such a motion or commence such an adversary proceeding earlier than sixty (60) days after the day an order granting this motion is final;

d. All parties in interest shall have the right and opportunity to object to the inclusion or omission of any asserted reclamation claim in the Reclamation Report or its characterization as valid or invalid; and

e. All reclamation claims allowed by the Court will receive either an administrative expense claim or a replacement lien having the same priority as the Creditor's reclamation right, to the extent allowed by law, or shall receive treatment otherwise agreed upon. Nothing herein shall amend, modify or change in any respect the rights of the Lenders under any cash collateral order otherwise entered by the Court.

5. If a Vendor has asserted a timely and proper reclamation demand with respect to Goods received and accepted by the Debtors, then the Debtors are deemed to have waived the following defenses to such Vendor's reclamation claim:

(a) the Debtors' use, sale or commingling of Goods after the date and time that the Debtors receive a reclamation demand with respect to such Goods;

(b) a reclamation claimant's failure to take any or all possible "self-help" measures with respect to such Goods; or

(c) the failure of a reclamation claimant to institute an adversary proceeding against the Debtors seeking to enjoin them from using or selling such Goods or any other similar relief.

The Debtors reserve all other defenses to reclamation claims, including, without limitation, the defense that any assets that are sought by a reclamation claimant, or that would be used to pay any administrative claim of such claimant, are subject to a lien or security interest in favor of the Debtors' prepetition lenders.

6. To the extent necessary or appropriate, the Debtors shall seek Court approval of any settlements and compromises with trade vendors with respect to payments of reclamation claims, if any, prior to the effective date of a plan of reorganization.

7. In accordance with Sections 105 and 362 of the Bankruptcy Code, Vendors and all other third parties are not permitted to, and are hereby prohibited from, reclaiming or interfering in any way with the postpetition shipment or delivery of Goods to the Debtors without first obtaining relief from this order.

8. This Court shall retain jurisdiction over all matters arising from or related to the interpretation and implementation of this order.

Dated: 10/24, 2002

  
UNITED STATES BANKRUPTCY JUDGE

cc:  
Mattress Discounters Corporation  
T.J.B., Inc.  
Hale and Dorr LLP  
Arent Fox Kintner Plotkin & Kahn, PLLC  
U.S. Trustee  
Initial Service List  
Simpson Thacher & Bartlett